

MONTANA BOARD OF HOUSING

Wingate Inn
2007 N Oaks
Helena MT 59301
March 20, 2006

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Present)
Audrey Black Eagle (Absent)
Jeff Rupp (Present)
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Chuck Nemec, Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Gerald Watne, Multifamily Program Officer
Mary Bair, Multifamily Program Specialist
Doug Jensen, Homeownership Program Specialist
Charles Brown, Homeownership Program Specialist
Jeannene Maas, Homeownership Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Gordon Hoven, Piper Jaffray
Kelly Bailey, Wells Fargo Home Mortgage
Deborah Chorlton, USDA Rural Development
Tim German, Sparrow Group
Roger Linhart, Heritage Bank Missoula
Dale Linhart, Heritage Bank Hamilton
Melissa Hartman, Miles City Housing Authority
Alex Burkhalter, Sparrow Group
Steve Archambault, Ft Belknap Housing Dept
Gene Leuwer, Rocky Mountain Dev Council
Jeff Miller, Rocky Mountain Dev Council
Clarence Gilham, Blackfeet Housing
Brett Sheehan, PNC Multifamily Capitol
Don Sterhan, Mountain Plains Equity Group

Jim Raznoff, USDA Rural Development
Henry Burgwyn, The Burgwyn Co., LLC
Jim Stretz, George K. Baum & Co.
Peter Hance, Missoula Housing Authority
Heather McGill, homeWord, Inc.
Gail Mann, American Federal Savings Bank
Kris Roberts, American Federal Savings Bank
Kathy Buckley, American Federal Savings Bank
Jeff Lynn, Denver Colorado

CALL MEETING TO ORDER & APPROVAL OF MINUTES

Chairman Bob Thomas called the meeting to order at 8:30 a.m. Judy Glendenning moved to approve the February 13, 2006 Board minutes as corrected. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

PROMOTIONAL PROGRAM

Bruce Brensdaal informed the Board that Jeannie's position has closed and the applications will be reviewed soon.

ACCOUNTING PROGRAM

Chuck Nemec presented rating information from Moody's (Aa2) and Standard and Poor's (AA+) regarding how Montana Board of Housing (MBOH) is evaluated, what we're evaluated on, and how it is presented to the public.

MULTIFAMILY PROGRAM

Mat Rude and Gerald Watne played a couple Public Service Announcements that will be aired on the radio for the Reverse Annuity Mortgage (RAM) Program.

Mat showed pictures of the tax credit projects:

The Legacy Square Project is an acquisition rehab for Senior Living with 20 units in Glasgow. The project scored 75 points.

The Crestview Apartments in Bigfork is an acquisition rehab with 16 units and a proposal to build 8 more units. The project scored 91 points.

Eagles Manor III in Helena is a new construction project with 30 units for elderly housing. The project scored 106 points.

Fort Belknap Housing proposes to do 24 new construction 3 or 4-bedroom homes. The project scored 109 points.

The Irvin Tract Rehab Project has 50 units in Browning. The project scored 114 points.

The Old Holy Rosary Hospital Project is an acquisition rehab with 21 family units in Miles City. The project scored 107 points. They returned credits allocated from last year because one building needs to be demolished and that brought the costs up and reapplied this year.

The Ronan Senior Living Project has 20 units. The project scored 89 points.

The Sage Tower Apartments in Billings is an acquisition rehab project of 83 elderly units. The project scored 83 points.

The Southern Lights is a new construction project with 20 units in Billings. The project scored 109 points.

Union Place II has 33 units, family project in Missoula. The project scored 106 points.

Mat proposed funding all the projects that scored over 100 except for partially funding the Fort Belknap single-family houses so that more projects can be fully funded. He said all the projects are good and he hopes the ones that are not funded will come back. The project developers commented on their projects. Peter Hance from Missoula withdrew their application and returned the tax credits for Stevensville until after they can get building permits and have access to water. Betsy asked if the occupancy in housing projects could be restricted to Montana residents only. She is concerned that the funding from Montana housing sources is not used for Montana residents since support is based on local data regarding needs. Several responded that it is an IRS ruling and people have the right to travel according to the Bill of Rights, but it encourages people to come and work in Montana and become an asset to the community. Mat asked Steve of Fort Belknap if reducing the number of houses for their project would work. He responded that he doesn't speak for the tribe, but was willing to do it for the good of all and that it seemed fair to him. Susan Moyer moved to accept the staff recommendation. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat said there will be a Qualified Allocation Plan (QAP) workshop on May 18th & 19th in Butte. There will be presentations on Energy and Green Building and discussions on the QAP.

Mat said there were no Reverse Annuity Mortgage (RAM) exceptions. He presented a memo requesting increasing the loan amount maximum from \$100,000 to \$150,000 for RAM loans. Also, changing the lump sum limit for \$10,000 to \$30,000 without Board approval. Both changes would require Administrative Rule changes. Betsy Scanlin moved to adopt the changes as proposed by staff. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat presented a request from the Lincoln Springs Project in Billings to change the project from 49 units to 41 units. The project had some delays and the costs are greater than anticipated. Staff did not make a recommendation, but presented the Board options. Jeff Rupp moved to deny the request. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Board members commented that they would like projects to return credits if the project isn't working so the credits could be used towards other projects that are ready.

HOMEOWNERSHIP PROGRAM

Nancy Leifer informed the Board that Manhattan State Bank is interested in a Teachers Program for their area. She also noted that the Program in Ravalli County has problems with income limits.

The REO report shows one property listed which has a potential buyer.

The new Mortgage Credit Certificates (MCC) program has one reservation.

The new income limits from HUD for 2006 determine the limits that are applicable for the Recapture Tax calculations. Jeff Rupp moved to adopt the new HUD income limits to the Recapture Tax level for program eligibility. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy Leifer updated the Board on the 2006 A bond issue. As of March 17th, MBOH had purchased 128 loans for over \$14 million and reserved 148 loans for about \$16.5 million. Over \$30.5 million of the \$50 million bond issue has been committed. The average loan amount is about \$106,000. Approximately 12% of borrowers are using the conventional financing. The amount of FHA insured loans is falling from 65% last year to 48% for the month of March 2006 and is being picked up by a mixture of loans including VA and RD guaranteed loans. Nancy gave an update on current mortgage rates.

Rural Development is requesting a program change to Rural Development (RD) Guaranteed Rural Housing (GRH) loans with the regular bond program. MBOH requires borrower to contribute \$1500 for GRH guarantee loans or \$500 if the borrower has attended Homebuyer Education classes. Previously, MBOH only approved purchasing GRH loans up to the purchase price of the property plus the guarantee fee. RD allows the appraised value price for the total loan amount and it has become standard practice for the industry. Deborah Chorlton said her goal was to make it as simple as possible for lenders and borrowers. Staff recommends to raise our level to the appraisal value when it is higher than the purchase price subject to the borrower paying the appropriate \$1500 or \$500 out of pocket commitment and also that no cash back from the deal would go for anything other than reimbursement of closing costs. Betsy Scanlin moved to adopt the changes for the GRH loans. J. P. Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Debbie Chorlton reported on the partnership RD and MBOH have with Fannie Mae on the My Community Mortgage Program. This program is restricted to health care, emergency services, and teaching professionals.

Nancy gave background information on the 35% limitation on land value and its implications and potential policy changes. She suggested that two key things to keep in mind are the big picture of affordability in the state and also the attributes of good administration, which include being clear, timely, fair, and equitable for everyone. Previous MBOH policy was to apply the 35% land to loan amount only to new construction, which had the information up front in the buy-sell. In the state today there are 3 things that are going on regarding this policy:

1. Lots in town exceed 35%
2. Buyers are going out of town quite a ways for an alternative
3. Folks are going to manufactured or mobile homes near town on .5 or 1-acre lots because of water and sewer constraints.

Nancy said there are many pieces of the puzzle and it is difficult to keep all the pieces fitting together. After much discussion from guests and the Board, Susan moved to table action until the next meeting because it is an issue that varies in each county. J. P. Crowley seconded the motion. Susan and J. P. withdrew the motion. Jeff Rupp moved that in areas where the property is within city limits and is served by the city or town's water and sewer systems, that the staff be allowed to go forth and change the current 35% to the appraised value rather than land to loan value and change the hazard insurance policy to require full replacement coverage on structures to meet, at a minimum, that potential replacement coverage plus the value of the land meet or exceed the loan

amount. Betsy Scanlin seconded the motion. After much discussion, Jeff withdrew the motion and Betsy Scanlin seconded the withdrawal. Betsy Scanlin moved to use the appraised value rather than the land to loan value and change the hazard insurance policy to require full replacement coverage on structures to meet, at a minimum, that potential replacement coverage plus the value of the land exceed the loan amount and raise the land to appraised value from 35% to 45% if the property is within a city or town limit and is on municipal water and sewer. J. P. Crowley seconded the motion. There was a roll call vote with Betsy, Jeff, Susan, and J. P. approving the motion. Judy voted against the motion. The motion carried. The Board decided to have a roundtable discussion to analyze all the options for going beyond 35% land to value. Nancy mentioned that one of the topics for the April meeting is high cost areas which address some of the same concerns and it also lines up with the topics for June summit.

Nancy Leifer gave the set-aside report which has \$25,384,799 committed to setasides. She requested a \$2 million increase in the amount of funds for the HUD 184 Indian Housing Loan Guarantee Setaside. Charlie Brown gave an update on the program. Betsy Scanlin moved to approve the request for \$2 million for the HUD 184 Program. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Staff observed that the District XI HRC setaside was due to expire. Jeff moved to extend the District XI HRC setaside to the end of the year. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

EXECUTIVE DIRECTOR

Bruce Brensda presented the proposed agenda for the Mountain Plains Regional Housing Summit in Helena on June 4-6. He said there will be a Board meeting after the Summit ends.

The next meeting is scheduled for April 10th in Hardin. Meetings are tentatively planned for May 8th in Havre, June 6th in Helena and July 10th in Miles City/Glendive.

The meeting adjourned at 12:15 p.m.

J. P. Crowley, Secretary

Date